

YUNKER & ASSOCIATES

Katherine K. Yunker
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Lexington, KY 40522-1784

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yunker@desuetude.com

May 2, 2008

Stephanie L. Stumbo
Executive Director
PUBLIC SERVICE COMMISSION
P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED
MAY 6 2008
PUBLIC SERVICE
COMMISSION

Re: Case No. 2007-00405, Parksville Water District v.
City of Danville

Dear Ms. Stumbo:

Enclosed please find for filing in the above-referenced proceeding the original and eight (8) copies of the Response of the City of Danville to Parksville Water District's Data Requests. An electronic file of the Response has been emailed to Parksville's attorney and to the Commission staff attorney for the case (Virginia W. Gregg). Please note that, in the binders, the Certification on behalf of the City of Danville is blank. The City Clerk, Donna Peak, has signed the certification and her signature has been notarized (see attached faxed copy); the undersigned will forward the original to the Commission once she has it.

Thank you for your attention to this filing.

Sincerely,



Katherine K. Yunker

Attachment; Enclosures

cc: John N. Hughes, Esq. (w/ attachment and one copy)

STATE OF KENTUCKY)
) SS:
COUNTY OF BOYLE)

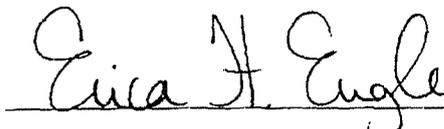
CERTIFICATION

The following responses on behalf of the City of Danville were prepared by me or under my supervision and they are true and correct to the best of my knowledge, information and belief formed after *reasonable inquiry*.



DONNA PEEK, City Clerk

SUBSCRIBED and SWORN to before me, a Notary Public, this the 2 day of May,
2008.



My commission expires: 07-17-11

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 06 2008

PUBLIC SERVICE
COMMISSION

In the Matter of:

Parksville Water District

v.

City of Danville

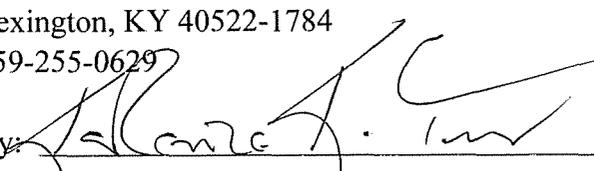
Case No. 2007-00405

**Response of the City of Danville
to Parksville Water District's Data Requests**

The City of Danville hereby responds to the data requests propounded by Parksville
Water District.

Edward D. Hays
SHEEHAN, BARNETT, HAYS, DEAN
& PENNINGTON, P.S.C.
114 South Fourth Street
P.O. Box 1517
Danville KY 40423-1517

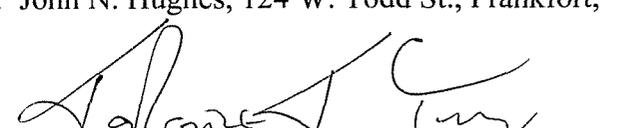
Katherine K. Yunker
YUNKER & ASSOCIATES
P.O. Box 21784
Lexington, KY 40522-1784
859-255-0629

By: 

ATTORNEYS FOR THE CITY OF DANVILLE

CERTIFICATE OF FILING AND SERVICE

I hereby certify that on this the 2nd day of May, 2008, the original and eight (8) copies of these Data Responses were mailed for filing with the Commission, an electronic copy was e-mailed to John N. Hughes and to Virginia W. Gregg, and a copy was served on counsel for the other party by first-class U.S. mail addressed to: John N. Hughes, 124 W. Todd St., Frankfort, KY 40601.


Attorney for the City of Danville

STATE OF KENTUCKY)
)
COUNTY OF BOYLE) SS:

CERTIFICATION

The following responses on behalf of the City of Danville were prepared by me or under my supervision and they are true and correct to the best of my knowledge, information and belief formed after reasonable inquiry.

DONNA PEEK, City Clerk

SUBSCRIBED and SWORN to before me, a Notary Public, this the _____ day of May, 2008.

My commission expires: _____

Request:

1. State the name of each person that participated in the preparation of responses to these questions.

Response:

The City Engineer, Earl Coffey, and the City Clerk, Donna Peek, participated in or supervised the preparation of responses to Parksville's data requests. Danville's counsel also participated in the preparation of responses.

Witness: (not applicable)

Request:

2. Provide the dates that Danville has increased wholesale water rates to Parksville Water District since 2004.

Response:

Increases to wholesale rates were calculated September 16, 2005, September 6, 2006, and August 17, 2007, and applied on invoices sent to Parksville for water delivered during the periods beginning September 1, 2005, September 1, 2006, and August 1, 2007, respectively.

Request:

3. Provide the independent auditor's reports for Danville's water operations for the years it has increased its wholesale rate to Parksville Water District since 2004.

Response:

There are no independent auditor's reports for Danville's water operations since 2004. There is a report by independent auditors for Danville *in total* (including its water and wastewater systems operation) for FYE June 30, 2006 and for FYE June 30, 2007. Each report is a lengthy document. If Parksville or the Commission would like a copy of either or both reports, please make a request therefor to Danville's counsel.

Request:

4. State the test period upon which each increase in wholesale water rates to Parksville is based.
- a. Explain why each test period was chosen.
 - b. State the amount of each rate increase in dollars and in percentage.

Response:

- a. Ordinance No. 1536, §3, specifies that water rates are to be adjusted annually beginning July 1, 1998; per KRS 83A.075, this adjustment uses a number computed by mid-February each year of the annual increase or decrease in the consumer price index (CPI) of the preceding year. Thus, the adjustment applied on July 1 is based on an index for the prior calendar year. The “choice” of these periods is directed by the Ordinance and the Kentucky Revised Statute to which it refers.
- b. Focusing on what Parksville refers to as the Base Rates (before surcharge and tax) on Exhibit 3 attached to its complaint:

Consumption Block (cu.ft.)	increase in rate per cubic foot (cu.ft.)					
	2005		2006		2007	
	\$	%	\$	%	\$	%
first 20,000	0.000548	3.260	0.000587	3.385	0.000463	2.582
next 80,000	0.000440	3.260	0.000472	3.385	0.000372	2.582
next 100,000	0.000342	3.260	0.000367	3.385	0.000289	2.582
next 300,000	0.000313	3.260	0.000336	3.385	0.000265	2.582
over 500,00	0.000297	3.260	0.000318	3.385	0.000251	2.582

Request:

5. Provide the cost of service study used to justify each wholesale rate increase and all calculations, workpapers and assumptions used to calculate each increase in wholesale water rates to Parksville Water District. If no cost study was prepared, provide all calculations, workpapers and assumptions used to calculate the wholesale rate.

Response:

Following are the calculations, workpapers and assumptions used to calculate the wholesale rate changes for the rates to Parksville, consisting of twelve (12) Charge Codes List pages with run dates in September 2005, September 2006, and August 2007.

The percentages in the table presented in Response to Request No. 4(b) were calculated by dividing the increase by the respective former rate, rounded to the nearest one-thousandth of a percentage point.

Run date: 09/15/2005 @ 13:48
 Bus date: 09/13/2005

AFW
 Charge Codes List

Charge code: 300

Changed: 11/01/96
 User: 00005

1) Description: wholesale water charges
 2) Unit desc: cuft

3) Accounting
 Revenue: A60 00-00 4810
 Allocated: A91 00-00 1100
 A/R:

4) User options
 Report group: 100 - WATER SALES
 Taxable: N - Not taxable.

5) Rate structure
 Rate type: C - Calculated
 Amount:

6) Posting options
 Posting type: S - Sales
 Post to period: C - Current.

7) Data entry options
 Enter desc: N - Not allowed.
 Enter units: N - Not allowed.
 Enter unit price: N - Not allowed.
 Enter amount: N - Not allowed.
 Enter g/l acct: N - Not allowed.

8) #	Type	Minimum	Maximum	Unit Price
1	I	.000001	20,000.000000	.016800
2	I	20,000.000000	100,000.000000	.013500
3	I	100,000.000010	200,000.000000	.010500
4	I	200,000.000010	500,000.000000	.009500
5	I	500,000.000000	99,999,999,999.000000	.009100
6	E			
7	E			

.017348
 .013940
 .010842
 .009913
 .009397

Charge Codes List

1) code.....: 300 Changed.: 09/16/05
User.....: 00038

1) Description....: Wholesale water charges
2) Unit desc.....: cuft

3) Accounting
Revenue.....: A60 00-00 4810
Allocated.....: A91 00-00 1100
A/R.....:

4) User options
Report group...: 100 - WATER SALES
Taxable.....: N - Not taxable.

5) Rate structure
Rate type.....: C - Calculated.
Amount.....:

6) Posting options
Posting type...: S - Sales.
Post to period.: C - Current.

7) Data entry options
Enter desc.....: N - Not allowed.
Enter units....: N - Not allowed.
Enter unit price: N - Not allowed.
Enter amount...: N - Not allowed.
Enter g/l acct.: N - Not allowed.

8) #	Type	Minimum	Maximum	Unit Price
1	I	.000001	20,000.000000	.017348
2	I	20,000.000000	100,000.000000	.013940
3	I	100,000.000000	200,000.000000	.010842
4	I	200,000.000000	500,000.000000	.009913
5	I	500,000.000000	99,999,999,999.000000	.009337
6	E			
7	E			

Charge code: 320

Changed: 11/01/96
 User: 00005

- 1) Description: Surcharge 20%
- 2) Unit description: cuft
- 3) Accounting
 - Revenue: A60 00-00 4812
 - Allocated: A91 00-00 1100
 - A/R:
- 4) User options
 - Report group: 120 REGION SURCHARGE
 - Taxable: N - Not taxable.
- 5) Rate structure
 - Rate type: C - Calculated.
 - Amount:
- 6) Posting options
 - Posting type: S - Sales.
 - Post to period: C - Current.
- 7) Data entry options
 - Enter desc: N - Not allowed.
 - Enter units: N - Not allowed.
 - Enter unit price: N - Not allowed.
 - Enter amount: N - Not allowed.
 - Enter g/l acct: N - Not allowed.

#	Type	Minimum	Maximum	Unit Price
1	I	000100	20,000.000000	.003360
2	I	20,000.000000	100,000.000000	.002700
3	I	100,000.000000	200,000.000000	.002100
4	I	200,000.000000	500,000.000000	.001920
5	I	500,000.000000	99,999,999,999.000000	.001820
6	E			
7	E			

.003470
 .002788
 .002168
 .001983
 .001879

un date: 09/16/2005 @ 12:29
us date: 09/01/2005

AFW
Charge Codes List

Charge code.....: 320 Changed.: 09/16/05
/ User....: 00038

1) Description....: Surcharge 20%
2) Unit desc.....: cuft

3) Accounting
Revenue.....: A60 00-00 4812
Allocated.....: A91 00-00 1100
A/R.....:

4) User options
Report group...: 120 - REGION SURCHARGE
Taxable.....: N - Not taxable.

5) Rate structure
Rate type.....: C - Calculated.
Amount.....:

6) Posting options
Posting type...: S - Sales.
Post to period.: C - Current.

7) Data entry options
Enter desc.....: N - Not allowed.
Enter units.....: N - Not allowed.
Enter unit price: N - Not allowed.
Enter amount...: N - Not allowed.
Enter g/l acct.: N - Not allowed

8)	#	Type	Minimum	Maximum	Unit Price
	1	I	.000100	20,000.000000	.003470
	2	I	20,000.000000	100,000.000000	.002782
	3	I	100,000.000000	200,000.000000	.002158
	4	I	200,000.000000	500,000.000000	.001583
	5	I	500,000.000000	99,999,999,999.000000	.001979
	6	E			
	7	E			

Run date: 09/05/2006 @ 16:39
Bus date: 09/05/2006

AFW
Charge Codes List

Charge code : 300

Changed : 09/16/05
User : 00038

1) Description : wholesale water charges
2) Unit desc : cuft

3) Accounting

Revenue : A60 00-00 4210
Allocated : A91 00-00 1100
A/R :

4) User options

Report group : 100 - WATER SALES
Taxable : N - Not taxable

5) Rate structure

Rate type : C - Calculated.
Amount :

6) Posting options

Posting type : S - Sales.
Post to period : C - Current.

7) Data entry options

Enter desc : N - Not allowed.
Enter units : N - Not allowed.
Enter unit price : N - Not allowed.
Enter amount : N - Not allowed.
Enter g/l acct : N - Not allowed

E)	#	Type	Minimum	Maximum	Unit Price
	1	I	.000001	20,000.000000	.017348
	2	I	20,000.000000	100,000.000000	.013940
	3	I	100,000.000010	200,000.000000	.010642
	4	I	200,000.000010	500,000.000000	.009913
	5	I	500,000.000000	99,999,999,999.000000	.009397
	6	E			
	7	E			

017935
014412
011209
010249
009715

Charge Codes List

Code: 300 Changed.: 09/06/06
User: 00036

1) Description: wholesale water charges
2) Unit desc: cuft

3) Accounting
Revenue: A60 00-00 4810
Allocated: A91 00-00 1100
A/R:

4) User options
Report group: 100 - WATER SALES
Taxable: N - Not taxable.

5) Rate structure
Rate type: C - Calculated.
Amount:

6) Posting options
Posting type: S - Sales.
Post to period: C - Current.

7) Data entry options
Enter desc: N - Not allowed.
Enter units: N - Not allowed.
Enter unit price: N - Not allowed.
Enter amount: N - Not allowed.
Enter g/l acct: N - Not allowed.

#	Type	Minimum	Maximum	Unit Price
1	I	0.000001	20,000.000000	.017935
2	I	20,000.000000	100,000.000000	.014412
3	I	100,000.000000	200,000.000000	.011209
4	I	200,000.000000	500,000.000000	.010249
5	I	500,000.000000	99,999,999,999.000000	.009715
6	E			
7	E			

Charge code: 320

Changed: 09/16/05

User: 00036

- 1) Description: Surcharge 20%
- 2) Unit description: cuft

- 3) Accounting
 - Revenue: A60 00-00 4812
 - Allocated: A91 00-00 1100
 - A/R:

- 4) User options
 - Report group: 120 - REGION SURCHARGE
 - Taxable: N - Not taxable

- 5) Rate structure
 - Rate type: C - Calculated
 - Amount:

- 6) Posting options
 - Posting type: S - Sales
 - Post to period: C - Current

- 7) Data entry options
 - Enter desc: N - Not allowed
 - Enter units: N - Not allowed
 - Enter unit price: N - Not allowed
 - Enter amount: N - Not allowed
 - Enter g/l acct: N - Not allowed

#	Type	Minimum	Maximum	Unit Price
1	I	0.000100	20,000.000000	.003470
2	I	20,000.000000	100,000.000000	.002758
3	I	100,000.000000	200,000.000000	.002158
4	I	200,000.000000	500,000.000000	.001953
5	I	500,000.000000	99,999,999,999.000000	.001875
6	E			
7	E			

003587
 002882
 002241
 002050
 001943

Run date: 09/06/2006 @ 11:51
 Bus date: 09/06/2006

AFW
 Charge Codes List

Code: 320 Changed: 09/06/06
 User: 00038

- 1) Description: Surcharge 20%
- 2) Unit desc: cuft
- 3) Accounting
 - Revenue: A60 00-00 4912
 - Allocated: A91 00-00 1100
 - A/R:
- 4) User options
 - Report group: 120 - REGION SURCHARGE
 - Taxable: N - Not taxable.
- 5) Rate structure
 - Rate type: C - Calculated.
 - Amount:
- 6) Posting options
 - Posting type: S - Sales
 - Post to period: C - Current.
- 7) Data entry options
 - Enter desc: N - Not allowed.
 - Enter units: N - Not allowed.
 - Enter unit price: N - Not allowed.
 - Enter amount: N - Not allowed.
 - Enter g/l acc: N - Not allowed.

#	Type	Minimum	Maximum	Unit Price
1	I	000100	20,000.000000	.003587
2	I	20,000.000000	100,000.000000	.002692
3	I	100,000.000000	200,000.000000	.002241
4	I	200,000.000000	500,000.000000	.002050
5	I	500,000.000000	99,999,999,999.000000	.001943
6	E			
7	E			

Charge code: 300

Changed: 09/05/06

User: 0003E

1) Description: Wholesale water charges

2) Unit desc: cuft

3) Accounting

Revenue: A60 00-00 4810

Allocated: A91 00-00 1100

A/R:

4) User options

Report group: 100 - WATER SALES

Taxable: N - Not taxable.

5) Rate structure

Rate type: C - Calculated.

Formula:

6) Posting options

Posting type: S - Sales

Post to period: C - Current

7) Data entry options

Enter desc: N - Not allowed.

Enter units: N - Not allowed.

Enter unit price: N - Not allowed.

Enter amount: N - Not allowed.

Enter g/l acct: N - Not allowed.

8) #	Type	Minimum	Maximum	Unit Price
1	I	.000001	20,000.000000	.017935
2	I	20,000.000000	100,000.000000	.014412
3	I	100,000.000010	200,000.000000	.011209
4	I	200,000.000010	500,000.000000	.010249
5	I	500,000.000000	99,999,999,999.000000	.009715
6	E			
7	E			

018398
014784
011498
010514
1009966

Charge code.....: 300 Changed.: 08/16/07
User.....: 00038

1) Description....: wholesale water charges
2) Unit desc.....: cuft

3) Accounting
Revenue.....: A60 00-00 4810
Allocated.....: A91 00-00 1100
A/R.....:

4) User options
Report group...: 100 - WATER SALES
Taxable.....: N - Not taxable.

5) Rate structure
Rate type.....: C - Calculated.
Amount.....:

6) Posting options
Posting type...: S - Sales.
Post to period.: C - Current.

7) Data entry options
Enter desc....: N - Not allowed.
Enter units...: N - Not allowed.
Enter unit price: N - Not allowed.
Enter amount...: N - Not allowed.
Enter g/l acct.: N - Not allowed.

8) #	Type	Minimum	Maximum	Unit Price
1	I	.000001	20,000.000000	.018398
2	I	20,000.000000	100,000.000000	.014784
3	I	100,000.000010	200,000.000000	.011498
4	I	200,000.000010	500,000.000000	.010514
5	I	500,000.000000	99,999,999,999.000000	.009966
6	E			
7	E			

Charge code: 320

Changed: 05/06/06

User: 00038

1) Description: Surcharge 20%

2) Unit description: cuft

3) Accounting

Revenue: A60 00-00 4812

Allocated: A91 00-00 1100

A/R:

4) User options

Report group: 120 - REGION SURCHARGE

Taxable: N - Not taxable

5) Rate structure

Rate type: C - Calculated

Amount:

6) Posting Options

Posting type: S - Sales

Post to period: C - Current

7) Data entry options

Enter description: N - Not allowed

Enter unit: N - Not allowed

Enter unit price: N - Not allowed

Enter amount: N - Not allowed

Enter g/l acct: N - Not allowed

8) #	Type	Minimum	Maximum	Unit Price
1	I	.000100	20,000.000000	.003587
2	I	20,000.000000	100,000.000000	.002882
3	I	100,000.000000	200,000.000000	.002241
4	I	200,000.000000	500,000.000000	.002056
5	I	500,000.000000	99,999,999,999.000000	.001943
6	E			
7	E			

003680
002956
002299
002103
001993

Charge code.....: 320

Changed.: 08/17/07

User.....: 00038

1) Description....: Surcharge 20%

2) Unit desc.....: cuft

3) Accounting

Revenue.....: A60 00-00 4812

Allocated.....: A91 00-00 1100

A/R.....:

4) User options

Report group...: 120 - REGION SURCHARGE

Taxable.....: N - Not taxable.

5) Rate structure

Rate type.....: C - Calculated.

Amount.....:

6) Posting options

Posting type...: S - Sales

Post to period...: C - Current.

7) Data entry options

Enter desc.....: N - Not allowed.

Enter units....: N - Not allowed.

Enter unit prc.: N - Not allowed.

Enter amount...: N - Not allowed.

Enter g/l acct.: N - Not allowed.

8) #	Type	Minimum	Maximum	Unit Price
1	I	.000130	20,000.000000	.003630
2	I	20,000.000000	100,000.000000	.002956
3	I	100,000.000000	200,000.000000	.002299
4	I	200,000.000000	500,000.000000	.002103
5	I	500,000.000000	99,999,999.999.000000	.001993
6	E			
7	E			

Request:

6. Provide the city ordinance or resolution authorizing each wholesale water rate increase to Parksville Water District since 2004.

a. Provide all minutes of the meetings of the city utility board or city commission since 2004 that include discussions of the increases in wholesale water rates.

Response:

Following is a copy of Ordinance No. 1536, eff. 9/23/97 (4 pages).

a. The city's Board of Commissioners functions as the Board of Directors for the water and wastewater systems. A search of the minutes of the meetings of the Board of Commissioners since 2004 turned up no responsive documents.

ORDINANCE NO 1536

AN ORDINANCE AMENDING CDO SECTION 18-79 and 18-80 PERTAINING TO WATER WORKS AND SANITARY SEWAGE TREATMENT.

WHEREAS, the Board of Commissioners deems it necessary and appropriate to make certain adjustments in the water, sewer, and surcharge rates charged to consumers;

NOW THEREFORE, be it ordained by the City of Danville, Kentucky as follows:

SECTION ONE:

Sec. 18-79 Waterworks and Water Distribution

There is hereby adopted, established and ordained, and there shall be collected a revised schedule of rates and charges for use of the services and facilities rendered by the municipal waterworks and water distribution system, except as otherwise provided by contract, as follows:

(1) Monthly water rates for residential and commercial consumers.

Consumption (cuft)	Rate (per 100 cuft)
First 300-100	\$1.35 <u>4.05</u>
Next 200	\$1.35
Next 1,500	\$1.01
Next 2,000	\$0.84
All over 3800-1800	\$0.79 <u>0.86</u>

The minimum monthly rate is \$4.05 plus sewer charge.

(2) Monthly Water Rates for Wholesale Consumers:

Consumption (cuft)	Rate (per 100 cuft)
First 20,000	\$1.68
Next 80,000	\$1.55 <u>1.44</u>
Next 100,000	\$1.65 <u>1.20</u>
Next 300,000	\$2.96 <u>1.05</u>
All over 500,000	\$0.91 <u>0.86</u>

The minimum monthly rate is \$448.00.

(3) Monthly water rates for industrial consumers:

Consumption (cuft)	Rate (per 100 cuft)
First 20,000	\$1.60
Next 80,000	\$1.25 <u>1.44</u>
Next 100,000	\$0.99 <u>1.27</u>
Next 300,000	\$2.09 <u>1.06</u>
All over 500,000	\$0.87 <u>0.86</u>

MNA083

SECTION TWO CDD Section 18-80, entitled "Sanitary Sewage Collection Treatment and Disposal Facilities" is hereby amended to read as follows:

There is hereby adopted, established, and ordained, and there shall be collected, a schedule of rates and charges for use of the services and facilities rendered by the municipal sanitary sewage collection treatment and disposal facilities of the City as follows:

~~A - Effective Date of Sewer Service Charge July 1, 1995~~

~~(1) - The monthly sewer service charge for residential and commercial consumers shall be as follows:~~

Minimum Monthly Rate	\$2.99	\$2.50
Consumption (Gallons)	Rate	
All Over 60 Gallons	1.65¢ per gallon	of water consumed

~~The monthly sewer service charge for wholesale and industrial consumers shall be as follows or by special agreement with the City in cases where all water used by the consumer is not returned to the sanitary sewer or where liquid sewage wastes are of unusual strength or composition, except that any such user which has a national pollutant discharge elimination system permit shall be required to pay the sewer surcharge only on that portion of water returned to the sewer system; such user must have a sewage meter or some approved means of measuring the amount returned to the system and the city shall have the right to inspect the meter at all reasonable times and may require the user to keep and maintain records containing pertinent data and information which records shall be subject to inspection by the city and provided to the city upon request.~~

Minimum Monthly Rate	\$19.00	\$21.86
Consumption	Rate	
All Over 100 Gallons	\$1.42¢	(\$1.40¢ per 100 Gallons of water consumed)

~~B - Effective Date of Sewer Service Charge July 1, 1996~~

~~(1) - The monthly sewer service charge for residential and commercial consumers shall be as follows:~~

Minimum Monthly Rate	\$3.77	\$2.70
Consumption (Gallons)	Rate	
All Over 60 Gallons	1.65¢ per gallon	of water consumed

MNA083

The monthly sewer service charge for wholesale and industrial consumers shall be as follows or by special agreement with the City in cases where all water used by the consumer is not returned to the sanitary sewer or where liquid sewage wastes are of unusual strength or composition, except that any such user which has national pollutant discharge elimination system permit shall be required to pay the sewer surcharge only on that portion of water returned to the sewer system, such user must have a sewage meter or some approved means of measuring the amount returned to the system and the city shall have the right to inspect the meter at all reasonable times and may require the user to compile and maintain records containing pertinent data and information which records shall be subject to inspection by the city and provided to the city upon request.

Minimum Monthly Rate	\$150.00	\$335.00
Consumption	Rate	
All Over 0.0 CuFt	1.0420 over 100 CuFt	1.560 per 100 CuFt of water consumed

-B-A. Effective Date of sewer service charge July 1, 1995 1999

1. The monthly sewer service charge for residential and commercial consumers shall be as follows:

Minimum Monthly rate	\$2.88	\$2.76 per month
Consumption (CuFt)	Rate	
ALL OVER 0.0 CuFt	1.697 per 100 CuFt	\$1.7730 per 100 CuFt of water consumed.

The monthly sewer service charge for wholesale and industrial consumers shall be as follows or by special agreement with the City in cases where all water used by the consumer is not returned to the sanitary sewer or where liquid sewage wastes are of unusual strength or composition, except that any such user which has national pollutant discharge elimination system permit shall be required to pay the sewer surcharge only measuring the amount returned to the system and the city shall have the right to inspect the meter at all reasonable times, and may require the user to compile and maintain records containing pertinent data and information, which records shall be subject to inspection by the city and provided to the city upon request.

Minimum Monthly Rate	325.00 per month	275.58 per month
Consumption	Rate	
All Over 0.0 CuFt	1.5420 over 100 CuFt	2.0935 per 100 CuFt of water consumed.

SECTION THREE : A new section under CDO Section 18-87 is hereby created to read as follows:

Commencing effective July 1, 1998, the water rates contained in CDO section 18-79 and the Sewer Rates contained in CDO section 18-80 shall be adjusted annually in accordance with KRS 85A.075 as may be amended from time to time, so as to allow automatic cost of living adjustments based on the purchasing power of the dollar as computed by the State of Kentucky Finance and Administration Cabinet.

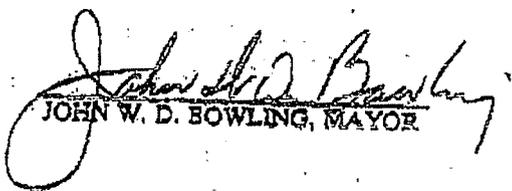
SECTION FOUR: If any section, sentence, clause or portion of this Ordinance is for any reason declared illegal, unconstitutional, or otherwise invalid, such declaration shall not affect the remaining portion hereof.

SECTION FIVE: This Ordinance shall become effective immediately upon passage and publication as required by law.

GIVEN FIRST READING AND PASSED 8-9-97

GIVEN SECOND READING AND PASSED 9-23-97

PUBLISHED BY DANVILLE ADVOCATE MESSENGER 9-30-97


JOHN W. D. BOWLING, MAYOR

ATTEST:


Candi Woolum, CITY CLERK

Request:

7. Provide the contract or other authority relied upon by the city to increase the wholesale rate to Parksville.

Response:

Following are:

- Water Purchase Contract, unsigned/undated, PSC stamp 10/6/94 (6 pages)
- Water Purchase Contract, 10/7/94 (6 pages)
- Addendum to Water Purchase Contract, 10/28/94 (3 pages)
- Addendum to Water Purchase Contract, 1/11/02 (2 pages)

See also the response to Request No. 6.

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into this _____ day of _____, 1994 by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as the "SELLER"; and the PARKSVILLE WATER DISTRICT, hereinafter referred to as "PURCHASER";

W I T N E S S E T H:

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, the Purchaser must have an extension of its right to purchase water from the City of Danville; and

WHEREAS, the Purchaser, Parksville Water District, does now desire to continue to purchase its entire water supply directly from Seller, City of Danville, for the next forty (40) years; and

WHEREAS, the Seller, City of Danville, desires to sell water directly to the Purchaser for the next forty (40) years; and

WHEREAS, resolutions have been duly passed by each of the legislative bodies of the respective parties hereto, which resolutions approved the terms and provisions of this agreement and do further authorize the respective officers of each party to execute this agreement;

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

OCT 06 1994

PURSUANT TO 807 KAR 5011,
SECTION 9(1)

BY _____
PUBLIC SERVICE COMMISSION

1. The term of this contract shall be for a period of forty (40) years, commencing effective _____, 1994.

2. The Sellers agrees to furnish the Purchaser at the point of delivery hereinafter specified during the term this contract potable treated water, meeting applicable purity standards of the state health department, in such quantity as may be required by the Purchaser. The Purchaser specifically agrees and covenants to purchase from the Seller during the term set forth above the Purchaser's entire water needs.

3. The water to be sold hereunder will be furnished at a reasonably constant pressure from the twelve (12") water main location on the Industrial Foundation property parallel to KY 34 approximately 1100 feet from its intersection with Alum Springs Cross Pike. If a greater pressure than normally available at the point of delivery is required by the Purchaser, the costs and means of providing such greater pressure shall be the responsibility of the Purchaser. It shall be the expense and the responsibility of the Purchaser to (a) construct and maintain any line or lines between the Parksville Water District and the point of delivery, (b) purchase and install a water meter consistent with the specifications directed by the Seller's City Engineer, and (c) provide the hookup or connection at the point of delivery, but subject to the supervision and approval of the Seller's City Engineer.

4. The water purchased and sold under this agreement shall be delivered by Seller at the above stated point of delivery and shall pass through and be measured by a meter or meters capable and sufficient to measure the quantity of water so delivered. It shall be the expense and responsibility of the Purchaser to furnish, install, operate and maintain at the point of delivery the necessary equipment, including a meter house or pit, and required devices of standard types for properly measuring the quantity of water delivered to the Purchaser and to calibrate and test for

OCT 06 1994

rates; similarly, it is agreed and understood that in the event the amount of the surcharge which is charged to all customers outside the city limits of Seller is modified, then the rate of surcharge unto Purchaser shall automatically be modified to conform with such surcharge rate. It is understood and agreed by the parties that modification of the water purchase rate and surcharge thereon shall be at the discretion of the Seller, City of Danville.

6. Payment for such water delivered shall be made promptly and in accordance with the regular billing policy of the Seller, which shall from time to time be in effect. The Seller shall furnish Purchaser with an itemized statement for the amount of water furnished the Purchaser during the preceding period for which the meter was read.

7. The Seller will at all times operate and maintain its system to the point of delivery to Purchaser in a state of reasonable repair and will take such reasonable action as may be necessary to furnish the Purchaser with the quantities of water heretofore set forth. Temporary or partial failure to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or if the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. The obligation of the Seller to supply water is limited, however, by the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruptions and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God, or other causes of unusual demand upon its system. Further, in the event of fire, storm, war, acts of

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

God, or other emergencies, the Seller's City Manager may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event the Seller's City Manager shall be absent from the City of Danville, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in the City of Danville's Engineer or the Mayor. In either event, the official determination of emergency without liability unto the Seller, but with the understanding that the same shall be rectified as quickly as is reasonably possible.

8. It is contemplated and understood that the water sold hereunder it for the purpose of providing for the needs of those residents and businesses located within the boundaries of the Parksville Water District, or within close proximity thereto. It is agreed and understood that the Purchaser shall not circumvent the intention of this contract by the selling of such water, or any portion thereof, unto other municipalities, water districts, or such other entities providing water to persons or businesses not located within the boundaries of the Parksville Water District or with close proximity thereto without the express written consent of the City of Danville.

9. Should a major industrial consumer of water desire to located in the area served by the Parksville Water District, the Parksville Water District shall not supply water unto said major industrial consumer of water without the express written consent and approval of the City of Danville, which consent and approval shall not be unreasonably withheld. A major industrial consumer of water is defined as one using more than 500,000 gallons of water per month.

10. From and after the date of this Contract, all waterlines and other appurtenant and related water facilities developed within the annexable area as shown and designated in the City of Danville's Growth Management Area shall be built and constructed

according to all applicable construction regulations and specifications for the same or similar facilities developed within the limits of the City of Danville.

11. The parties do hereby agree that this contract agreement shall become effective upon execution by both parties and that the agreement dated December 1, 1964 shall no longer be of any force or effect.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY
SELLER

PARKSVILLE WATER DISTRICT
PURCHASER

By: _____
Mayor

By: _____
Chairman

ATTEST: _____

ATTEST: _____

CITY CLERK

SECRETARY

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED AND ACKNOWLEDGED before me by _____, a duly authorized officer of the City of Danville, Kentucky, to be his voluntary act and deed and the voluntary act and deed of the City of Danville, Kentucky.

NOTARY PUBLIC, STATE AT LARGE, KY
My Commission Expires: _____

S E A L)**

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED AND ACKNOWLEDGED before me by _____, a duly authorized officer of the Parksville Water District to be his voluntary act and deed and the voluntary act and deed of the Parksville Water District.

NOTARY PUBLIC, STATE AT LARGE, KY
My Commission Expires: _____
PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

S E A L)**

OCT 06 1994

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into this 7th day of October, 1994, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as the "SELLER"; and the PARKSVILLE WATER DISTRICT, hereinafter referred to as "PURCHASER";

W I T N E S S E T H:

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, the Purchaser must have an extension of its right to purchase water from the City of Danville; and

WHEREAS, the Purchaser, Parksville Water District, does now desire to continue to purchase its entire water supply directly from Seller, City of Danville, for the next forty (40) years; and

WHEREAS, the Seller, City of Danville, desires to sell water directly to the Purchaser for the next forty (40) years; and

WHEREAS, resolutions have been duly passed by each of the legislative bodies of the respective parties hereto, which resolutions approved the terms and provisions of this agreement and do further authorize the respective officers of each party to execute this agreement;

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:

1. The term of this contract shall be for a period of forty (40) years, commencing effective _____, 1994.

2. The Seller agrees to furnish the Purchaser at the point of delivery hereinafter specified during the term of this contract potable treated water, meeting applicable purity standards of the state health department, in such quantity as may be required by the Purchaser. The Purchaser specifically agrees and covenants to purchase from the Seller during the term set forth above the Purchaser's entire water needs.

3. The water to be sold hereunder will be furnished at a reasonably constant pressure from the twelve (12") water main location on the Industrial Foundation property parallel to KY 34 approximately 1100 feet from its intersection with Alum Springs Cross Pike. If a greater pressure than normally available at the point of delivery is required by the Purchaser, the costs and means of providing such greater pressure shall be the responsibility of the Purchaser. It shall be the expense and the responsibility of the Purchaser to (a) construct and maintain any line or lines between the Parksville Water District and the point of delivery, (b) purchase and install a water meter consistent with the specifications directed by the Seller's City Engineer, and (c) provide the hookup or connection at the point of delivery, but subject to the supervision and approval of the Seller's City Engineer.

4. The water purchased and sold under this agreement shall be delivered by Seller at the above stated point of delivery and shall pass through and be measured by a meter or meters capable and sufficient to measure the quantity of water so delivered. It shall be the expense and responsibility of the Purchaser to furnish, install, operate and maintain at the point of delivery the necessary equipment, including a meter house or pit, and required devices of standard types for properly measuring the quantity of water delivered to the Purchaser and to calibrate and test for accuracy such metering equipment annually, or at such

other times as are reasonably requested by the Seller. A meter registering not more than 2% above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the three months previous to such tests in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water delivered in the corresponding period immediately prior to the failure shall be considered the amount consumed, unless the Seller and the Purchaser shall agree upon a different amount. The metering equipment shall be read on a regular basis, but not less than once every two months. An appropriate official or representative of the Purchaser shall at all reasonable times have access to the meter for the purpose of verifying its readings.

5. The Purchaser agrees to pay unto Seller for the water delivered in accordance with the following rate schedule:

	QUANTITY (Cu. Ft.)	RATE (\$/100 Cu. Ft.)
First	20,000 cu. ft.	1.68 (Min. 448.00 per mo.)
Next	80,000 cu. ft.	1.35
Next	100,000 cu. ft.	1.05
Next	300,000 cu. ft.	.96
All over	500,000 cu. ft.	.91

In addition to the foregoing schedule of rates, the Purchaser shall further pay unto the Seller a surcharge of twenty percent (20%) added to the total water bill only less taxes.

HOWEVER, the parties understand and agree that if at any time during the term of this agreement the rate charged to the other wholesale or industrial consumers, including other municipalities, independent water districts, or privately owned water companies, are modified, either increased or decreased, the rate of charge to the Purchaser shall automatically be modified to conform to such rates; similarly, it is agreed and understood

that in the event the amount of the surcharge which is charged to all customers outside the city limits of Seller is modified, then the rate of surcharge unto Purchaser shall automatically be modified to conform with such surcharge rate. It is understood and agreed by the parties that modification of the water purchase rate and surcharge thereon shall be at the discretion of the Seller, City of Danville.

6. Payment for such water delivered shall be made promptly and in accordance with the regular billing policy of the Seller, which shall from time to time be in effect. The Seller shall furnish Purchaser with an itemized statement for the amount of water furnished the Purchaser during the preceding period for which the meter was read.

7. The Seller will at all times operate and maintain its system to the point of delivery to Purchaser in a state of reasonable repair and will take such reasonable action as may be necessary to furnish the Purchaser with the quantities of water heretofore set forth. Temporary or partial failure to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or if the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. The obligation of the Seller to supply water is limited, however, by the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruptions and fluctuations in supply, that nevertheless the Seller does not guarantee that such interruption and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God, or other causes of unusual demand upon its

system. Further, in the event of fire, storm, war, acts of God, or other emergencies, the Seller's City Manager may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event the Seller's City Manager shall be absent from the City of Danville, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in the City of Danville's Engineer or the Mayor. In either event, the official determination of emergency shall permit such reduction or cessation during the pendency of the emergency without liability unto the Seller, but with the understanding that the same shall be rectified as quickly as is reasonably possible.

8. It is contemplated and understood that the water sold hereunder is for the purpose of providing for the needs of those residents and businesses located within the boundaries of the Parksville Water District, or within close proximity thereto. It is agreed and understood that the Purchaser shall not circumvent the intention of this contract by the selling of such water, or any portion thereof, unto other municipalities, water districts, or such other entities providing water to persons or businesses not located within the boundaries of the Parksville Water District or within close proximity thereto without the express written consent of the City of Danville.

9. Should a major industrial consumer of water desire to be located in the area served by the Parksville Water District, the Parksville Water District shall not supply water unto said major industrial consumer of water without the express written consent and approval of the City of Danville, which consent and approval shall not be unreasonably withheld. A major industrial consumer of water is defined as one using more than 500,000 gallons of water per month.

10. From and after the date of this Contract, all waterlines and other appurtenant and related water facilities developed within the annexable area as shown and designated in the City of

Danville's Growth Management Area shall be built and constructed according to all applicable construction regulations and specifications for the same or similar facilities developed within the limits of the City of Danville.

11. The parties do hereby agree that this contract agreement shall become effective upon execution by both parties and that the agreement dated December 1, 1964 shall no longer be of any force or effect.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY
SELLER

PARKSVILLE WATER DISTRICT
PURCHASER

By: William Bunny Davis
Mayor Pro Tem

By: Ronald Russell
Chairman

ATTEST:

ATTEST:

Craig Holman
CITY CLERK

Carl Lippert
SECRETARY

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by William Bunny Davis Mayor Pro Tem, a duly authorized officer of the City of Danville, Kentucky, to be his voluntary act and deed and the voluntary act and deed of the City of Danville, Kentucky.

Signed - 10-4-94

Sharon W. Branch
NOTARY PUBLIC, STATE AT LARGE, KY
My Commission Expires: 2-14-95

S E A L) **

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by Ronald Russell Chairman, a duly authorized officer of the Parksville Water District to be his voluntary act and deed and the voluntary act and deed of the Parksville Water District.

Signed 10-7-94

Jerome B. Feather
NOTARY PUBLIC, STATE AT LARGE, KY
My Commission Expires: 4-20-99

S E A L) **

ADDENDUM TO WATER PURCHASE CONTRACT

This addendum to the water purchase contract dated the 7th day of October, 1994, between the City of Danville, Kentucky, hereinafter referred to as the "Seller", and the Parksville Water District, hereinafter referred to as the "Purchaser", is made and entered into this 28th day of October, 1994.

W I T N E S S E T H

WHEREAS, the parties hereto have entered into a contract under which the Seller supplies treated water unto the Purchaser; and

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, and

WHEREAS, the water supply distribution system of the Seller is being extended, and

WHEREAS, the extension of the water supply distribution system is of mutual financial benefit to both the Seller and Purchaser.

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:

1. The Purchaser is to pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of \$36,000 which shall cover the Purchaser's proportionate share of the water supply distribution system extension. The cost is based on the difference between the cost to the Purchaser of extending an 8" PVC line along the same

route which would have been required if the 12" ductile iron line were not being extended by the Seller.

2. The Seller will engineer and construct the twelve (12) water mains to a point as planned by Quest Engineers dated June 1994.

3. The Purchaser will provide for relocation of the meter pit and assembly at its expense. This pit is to be relocated and used.

4. The Seller will construct a wet tap connecting the new line to the old line for the purpose of a temporary service. This will provide for service to Purchaser during the time of the changing of the water meter pit.

5. Payment will be made within 15 days after completion of the line. Completion shall be defined as first use of the main.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY
SELLER

PARKSVILLE WATER DISTRICT
PURCHASER

BY: John W. Banting
MAYOR

BY: Ronald Russell
CHAIRMAN

ATTEST: --

ATTEST:

Cisti K. Bolum
CITY CLERK

Carl Leppew
SECRETARY

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by JOHN BOWLING, a
duly authorized officer of the City of Danville, Kentucky, to be his voluntary
act and deed and the voluntary act and deed of the City of Danville, Kentucky.

Nicholas Clay Wesley
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 7-5-1998

S E A L)**

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by RONALD RUSSELL, a
duly authorized officer of the Parksville Water District, to be his voluntary
act and deed and the voluntary act and deed of the Parksville Water District.

October 28, 1994

William C. Baskin
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 3/5/97

S E A L)**

ADDENDUM TO WATER PURCHASE CONTRACT

This ADDENDUM made and entered into this 11 day of January, 2002, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as "Seller" and PARKSVILLE WATER DISTRICT, with its principal office at Kentucky Highway, P O Box 9, Parksville, Kentucky 40464, hereinafter referred to as "Purchaser",

WITNESSETH:

WHEREAS, these parties entered into a Water Purchase Agreement dated October 7, 1994;

WHEREAS, the parties hereto desire to extend that agreement under the terms contained herein,

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the parties hereto hereby agree as follows

All the terms contained the existing Water Purchase Contract are hereby ratified and incorporated herein as if fully set out verbatim with the exception that the term of said Contract shall be for a period of forty-one (41) years commencing on December 31, 2001 and ending at midnight on December 31, 2042.

This Addendum is entered into by the parties pursuant to Resolutions of their respective Board of Directors adopted at meetings of the same, duly and regularly held and had, and the respective officers of each party are authorized to execute this Addendum

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have hereunto set their hands on this date which is first above written

CITY OF DANVILLE, KENTUCKY

PARKSVILLE WATER DISTRICT

by: Alex Stevens
ALEX STEVENS, Mayor

by: Ronald Russell
RONALD RUSSELL, Chairman

ATTEST

ATTEST

Donn Seana
City Clerk

Herbert Bledsoe
Secretary

STATE OF KENTUCKY-COUNTY OF BOYLE

The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by the CITY OF DANVILLE, KENTUCKY, through its authorized representative and Mayor, ALEX STEVENS

WITNESS my hand and seal of office this the 11th day of December, 2001.

My Commission expires March 7 2005

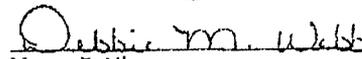

Notary Public

STATE OF KENTUCKY-COUNTY OF BOYLE

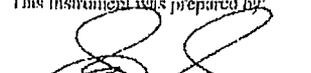
The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by PARKSVILLE WATER DISTRICT, through its authorized representative and Chairman, RONALD RUSSELL.

WITNESS my hand and seal of office this the 11 day of January, 2002.

My Commission expires 3-19-2005


Notary Public

This instrument was prepared by:


JEFFREY W. JONES, Attorney at Law
104 West Main Street, Suite #202
Danville, Kentucky 40422

Request:

8. Provide any notice provided by the city to Parksville Water District of each wholesale water increase since 2004.

Response:

No responsive documents were found by Danville.

Request:

9. Provide any notice provided by the city to the Public Service Commission of each wholesale water increase to Parksville since 2004.

Response:

No responsive documents were found by Danville.

Request:

10. Provide any tariff filings submitted to the Public Service Commission since 2004 related to changes in wholesale water rates.

Response:

Danville is not aware of any such filings since 2004 related to its wholesale water rates.

Request:

11. Does the city provide wholesale water to any other regulated water utility?
 - a. If yes, provide the names of the utilities.
 - b. Have the wholesale water rates to those utilities been increased since 2004?
 - c. If yes, provide the dates of the increases, the amounts of the increases, the dates the tariffs reflecting the increases were filed with the PSC and a copy of the notice of the increase given to the utility.

Objection: Danville is not aware of any water provider that is not regulated to a degree or for some purpose. To the extent that Parksville is calling for information about Danville's relationship to entities that Parksville considers comparable to itself, the point of comparison and the relevance of such information to Parksville's complaint is not clear. Without waiver of the objection, Danville provides the following response.

Response:

- a. In addition to Parksville, Danville currently provides water at wholesale rates to Lake Village Water Association, Inc., Garrard County Water Association, Inc. and the Hustonville (Lincoln County) municipal system.
- b. Rates to the entities listed in subpart (a) have increased since 2004.
- c. Any rate to a listed entity that was the same as that to Parksville in 2004 has had identical changes since 2004 and is the same today. Any rate to a listed entity that was different from the rate to Parksville in 2004 has changed in the same proportion as the rates to Parksville.

Request:

(There is no Request No. 12.)

Witness: (not applicable)

Request:

13. Was the methodology used to calculate the increase to wholesale customers other than Parksville the same methodology used to calculate the increase to Parksville.

a. If not, explain the differences in the methodologies and why the different methodologies were used.

Response:

The increases to wholesale water rates since 2004 have used the same method.

No wholesale, industrial, commercial, or residential customer has had rates increased by a lesser percentage amount since 2004.

Request:

14. In its Answer filed January 3, 2008, the city refers to Ordinance 1536, dated September 30, 1997. Section Three of that ordinance refers to an annual increase in water rates in accordance with KRS 83A.075. Explain how that statute relates to an increase in water rates.

Objection: This request appears to call for a legal conclusion or analysis. Without waiver of the objection, Danville provides the following response through its counsel.

Response:

Since 1997, KRS 83A.075 has been amended so that the responsibilities formerly assigned to the Kentucky Finance and Administration Cabinet are now entrusted to the Governor's Office for Local Development:

In order to equate the compensation of mayors and members of city legislative bodies with *the purchasing power of the dollar*, the Governor's Office for Local Development shall compute by the second Friday in February of every year the annual increase or decrease in the consumer price index of the preceding year by using 1949 as the base year....

KRS 83A.075(1) (emphasis added). The annual adjustments (not “increases”) directed by Ordinance No. 1536, §3, are to be “in accordance with” the index specified in KRS 83A.075 so as adjust the rates for changes in the purchasing power of the dollar. This is the same process as for “equat[ing] the compensation of mayors and members of city legislative bodies with the purchasing power of the dollar....”

Request:

15. State whether Danville considers the Consumer Price Index to be an accurate measure of changes in the cost of providing wholesale water service. If yes, explain why.

Response:

Danville considers changes in the purchasing power of the dollar, of which the Consumer Price Index is a measure, to be a reasonable estimate of changes in the cost of providing service to its customers — whether wholesale, industrial, commercial, or residential. The cost of operating its water system has risen each year for at least the past four fiscal years; the cumulative increase from the start of fiscal year 2006 (*i.e.*, July 1, 2005) through the end of fiscal year 2008 (*i.e.*, June 30, 2008, with the last quarter of costs estimated) has been over 25%, compared with a cumulative increase of 9.512% in the wholesale rates during the same time period. The costs increase from the start of FY2006 to the end of FY2007 was nearly 15%, compared with a cumulative increase of 6.755% in the wholesale rates during the same time period.

It is reasonable for Danville to use such a general, publicly-available measure as the index published by the Governor's Office for Local Development. Danville's employees are subject to the purchasing power fluctuations measured by the CPI, and the city has given them a cost of living increase each year for more than 15 years. This is a direct component of the cost of providing water service. Furthermore, the increases in CPI reflect broad trends in prices, including the cost of transportation and materials — all of which affect Danville's costs.

It is not practicable for Danville to prepare a cost-of-service study every year or so to assess increased costs to the wholesale segment of its water operations. Not only would that be unduly expensive, it would lead to an inappropriate distinction between rates to retail users of the water system and rates to wholesale users. Rates to all other users are subject to the CPI adjustment mechanism, and to exempt wholesale users from the adjustments would lead to an ever-increasing proportional shift of costs away from the

wholesale users. In addition, in its 1994 contract with Danville — the terms of which Parksville expressly ratified in 2002 — Parksville agreed to have its rates subject to modification so that the rates were no better than the rates to industrial (retail) users. Industrial rates are subject to the CPI adjustment mechanism.

Request:

16. Provide the annual computation by the Kentucky Finance and Administration Cabinet of the purchasing power of the dollar referenced in Ordinance 1536 for each year since 2003.

Response:

Responsibility for the computation directed by KRS 83A.075 is now assigned to the Governor's Office for Local Development ("GOLD"). The purchasing power index (1967 = 100) and percentage increase over the previous period that have been reported by GOLD for each year since 2003 are:

2003	552.1	1.882%
2004	570.1	3.260%
2005	589.4	3.385%
2006	604.5	2.561%
2007	629.1	4.081%

See the following one-page summary of CPI changes, provided by GOLD.

Request:

17. In Case No. 2006-00067, Order dated November 21, the Commission voiced the following criticism of the Consumer Price Index:

[T]he proposed mechanism, which is based upon the CPI, is based upon too large and diverse a group of goods and services. The CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. This basket contains 8 major categories of goods and services: food and beverages; housing; apparel; transportation; medical care; recreation, education and communication; and other goods and services. Several of these categories are unrelated to the provision of water service. Their presence in the basket limits the CPI's accuracy as an adjustment mechanism. For example, increases in the cost of food and beverages, apparel and education would produce a positive increase in the CPI but have no effect on the cost of goods and services that are used to provide water service. An automatic adjustment mechanism must provide an accurate measurement of changes in the cost of providing water service. It therefore should be based principally on those goods and services that are reasonably likely to be used to provide water service.

State whether Danville agrees with this criticism. Explain.

Response:

See Response to Request No. 15.